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MEMORANDUM OF INFORMATION NO. 72

FOR: National Estimates Board

SUBJECT: Export Control Policy* Toward the Soviet Bloc

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USSR AND EE SATELLITES.

Measures to impair the Soviet war potential began in March 1948 with the imposition by the United States of export restrictions or prohibitions on the shipment of strategic goods to the Soviet Union and the Satellite countries of Eastern Europe. In the following months and years international negotiations were conducted in an effort to extend controls to cover exports from other Western nations. However, the absence of a coordinated and comprehensive Western program represented, and to some extent still represents, a major loophole in the control structure.

In order to correct this deficiency, representatives of the US, UK, and French governments met at the initiative of the US in London during October and November of 1950. These Tripartite talks produced general agreement on the application of export controls to the Soviet Bloc. The commodities to which such controls are applied have been classified into three lists, as follows:

- List I: Embargo, i.e., goods of which no exports at all to the Soviet Bloc are to be allowed (Items contributing directly to the Soviet war potential -- munitions -- atomic energy items -- certain petroleum items -- etc.).
- List II: Quantitative Control, i.e., goods of which only limited quantities are to be allowed to be exported to the bloc (items which in significant quantities would contribute to the Soviet war potential -- certain electric power equipment -- certain metals -- etc.).
- List III: Exchange of Information, i.e., goods which may be freely exported to the Soviet Bloc but of which the participating countries undertake to inform each other.

* This memorandum is confined to a consideration of export controls and does not deal with other measures of economic warfare.

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Following the London Tripartite Agreement, an informal conference of certain Western Governments was convoked. This conference, known as COCOM (Coordinating Committee) is currently in session.* Its purpose is to get agreement on the export control policies of the respective governments in an effort to establish export control programs for these countries "parallel" to those of the Tripartite Governments.

The Tripartite representatives have had considerable success in obtaining agreement from the other COCOM countries on List I, and most of those items embargoed by the US, UK and France are also marked for embargo by the other COCOM countries. Numerous obstacles, however, have impaired agreement on quantitative controls (List II) and only stop-gap measures have been employed.

Sweden, Switzerland, Austria and to a lesser extent Turkey, are the only Western countries not participating in the export control program which do any significant direct trade with the Soviet Bloc. However, these nations have taken some measures, of varying degree of effectiveness, to limit the export of strategic items to the Soviet orbit.

In March 1951 the US announced that export licenses would be required for all US shipments to the Soviet Bloc regardless of whether the item is included on the export control list. The intent of this new ruling is not to impose a complete embargo but rather to permit a review of all shipments.

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Early this week Congress took an additional step to tighten controls when it sent a supplemental appropriation bill to the White House with a rider that would prohibit economic or financial assistance for nations that knowingly permitted export of strategic materials or commodities to Communist countries.

CHINA.

Prior to the outbreak of hostilities in Korea, the US was the only country which restricted exports to Communist China for security reasons. Early in 1949 the US began scrutinizing the exports of highly strategic materials to China and in October 1949 adopted the policy, in general, of holding without action license applications for the export of items on the US 1-A list to China and neighboring areas from which transshipments might be made.

* US, UK, France, Belgium, Netherlands, Luxemburg, Denmark, Norway, Western Germany, Italy, Portugal, Canada.

** A copy of this report is on file in Mr. Montague's office.

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As a result of Communist aggression in Korea the United States proposed to the COCOM countries that the same controls be applied against Communist China which previously had been agreed to for application against the Eastern European Satellites. On 17 July 1950 the Consultative Committee noted officially that all Participating Countries were as of that time applying the same controls to both North Korea and Communist China as had been previously applied to the satellite countries of Eastern Europe. In effect this meant that they had an embargo on the list of highly strategic materials in International List I. The COCOM delegates also reported in July that their governments had concurred in the joint US-UK recommendation to add most petroleum products to International List I.

In that same month the US cancelled all outstanding licenses for exports to Communist China and ruled that no additional licenses for controlled items would be granted thereafter. A series of US rulings in December 1950 tightened up on all US exports (not only those on the controlled list) to China, Hong Kong and Macao which had the effect of placing a virtual embargo on all US exports to that area as opposed to the program of selective controls on trade with the Soviet bloc in Eastern Europe.

At present we license no goods for sale to Red China, our ships are not allowed to carry goods in any part of the world for consignment to Red China, our ships may not trade with the ports of Red China and we force the offloading of unlicensed goods on foreign flag ships calling at our ports. Western Europe, as indicated above, has not followed our program against Red China much beyond the point of selective controls. Japan, however, is following a policy parallel to ours.

Several recent developments will have the effect of further tightening controls. Both Houses of Congress this week approved the third supplemental appropriation bill with a rider that would prohibit economic or financial assistance for nations that knowingly permitted export of strategic materials or commodities to Communist countries, including Communist China and North Korea.

Last week the General Assembly of the UN adopted a resolution calling for an embargo on all shipments of strategic items to Communist China and North Korea. This announcement has the effect of recognizing a strategic embargo that already has been in force in many countries and in addition indicates that other nations will apply similar controls. It also probably presages an increase in the number of items to be controlled. As an indication of the trend, the UK recently clamped down on rubber shipments to China.

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